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UNCLAS HARARE 000271

SIPDIS

STATE FOR AF/S AND AF/EX  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIEMOND  
PASS USTR ROSA WHITAKER  
TREASURY FOR ED BARBER AND C WILKINSON  
USAID FOR MARJORIE COPSON

[E](#). O. 12958: N/A

TAGS: [EAGR](#) [ETRD](#) [EFIN](#) [ECON](#) [ZI](#)

SUBJECT: Tobacco harvest may beat early forecasts

[1](#)1. Summary: It remains difficult to forecast Zimbabwe's all-important tobacco earnings this year. Experts agree the harvest will be marginally better than initially expected, but a steep drop from last year. End Summary.

[1](#)2. The stakes are high since tobacco will remain Zimbabwe's leading export and earner of foreign exchange. Also, the GOZ desperately wants newly-resettled commercial farmers (known as A2s) to produce sizable crops and lend legitimacy to its controversial land reform. Last year's harvest yielded 166 million kgs, down from the record year 2000 crop of 237 million kgs. Experts still disagree how far tobacco output will slide.

#### High-End Scenarios

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[1](#)3. GOZ hawks still occasionally boast about a 150-200 million kg harvest, but objective and independent sources dismiss these numbers. The Tobacco Industry Marketing Board (TIMB), a somewhat independent governmental body with a commendable forecast record, told us it is now expecting a 85-110 million kg harvest this year, a drop of between 33 and 48 percent. TIMB Executive Director Stanley Mutepfa said his agency has been unable to nail down a more precise figure for 2003 due to the chaotic state of Zimbabwe's agricultural sector. Usually the TIMB offers a crop estimate by February 1 for the year that is within 5 percent of the final result. Although Zimbabwe has been hard hit by drought, Mutepfa said recent weather conditions have been good for many communal tobacco growers in the 7 of 15 districts he has surveyed, causing the TIMB to increase its estimate. Most communal farmers did not plant until December, when they enjoyed 4 weeks of dry weather followed by rains, the ideal scenario for non-irrigated tobacco.

#### Low-End Scenarios

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[1](#)4. Zimbabwe Tobacco Association (ZTA) Chief Executive Chris Molam told us his organization has upped the estimate he offered to the Parliamentary Committee on Agriculture on Oct 8 from 70-to-80 million kgs. But he said he is confident the harvest will not beat 80 million kgs, since he is already factoring in a respectable increase for communal as well as A2 farmers from 12-to-25 million kgs. (He expects 55 million kgs from large commercial farmers). FEWSNET Representative Elliot Vhurumuku, an expert in crop forecasts, estimates the tobacco crop slightly higher, at 80-85 million kgs.

#### Comment

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[1](#)5. Given initial predictions of Zimbabwean harvests as low as 60 million kgs, the slightly higher estimates pass for good news. Nonetheless, the economic cost of land reform is still enormous. Without it, 2003 would have been a banner year for tobacco growers here. The country is unlikely to return to lofty 2000 heights unless it sorts out an inept land redistribution that exudes opacity.

[1](#)6. Several other variables could affect the country's tobacco windfall this year. Difficult climate conditions in Brazil have diminished its expected harvest from 600 to 515 million kgs, reducing the year's supply and potentially increasing the world tobacco price. On the other hand, Zimbabwe's erratic coal supplies from Wankie Colliery could hinder the curing of tobacco before it reaches the auction floor -- or create a new market for wood as a less-efficient coal substitute. More importantly, the GOZ still has not disclosed how much export revenue it will allow growers to retain (probably through a special exchange rate). If the rate is too low, we're guessing farmers will smuggle tobacco out of the country or store it for a future year.

